


1 **ARIZONA CORPORATION COMMISSION**
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8 **STATE OF ARIZONA**
9 **MARICOPA COUNTY SUPERIOR COURT**

10 ARIZONA CORPORATION COMMISSION)
11 Plaintiff)
12 v.)
13 ONE VISION CHILDREN'S FOUNDATION,)
14 INC., an Arizona Non-profit corporation;)
15 HOLLISTER M. MARX, an individual;)
16 WEALTH MANAGEMENT RESOURCES,)
INC., an Arizona corporation; MICHAEL B. and)
BETTY MAKSUDIAN, husband and wife;)
MICHAEL A. and LORRINA DIAZ, husband)
and wife,)
Defendants.)

No. CV **CV 2002-020878**
VERIFIED COMPLAINT

17 For its Complaint against Defendants, Plaintiff the Arizona Corporation Commission
18 pleads as follows:

19 1. Plaintiff the Arizona Corporation Commission ("ACC") is a governmental entity
20 charged with enforcing the Arizona Securities Act, A.R.S. § 44-1801 *et seq.*

21 2. Defendant One Vision Children's Foundation, Inc. ("One Vision") is an Arizona
22 non-profit corporation, with its principal place of business in Phoenix, Arizona.

23 3. Defendant Hollister M. Marx ("Marx") is a resident of Tempe, Arizona. She is
24 the Executive Director of One Vision.
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1 4. Defendant Wealth Management Resources, Inc. ("WMR") is an Arizona
2 corporation, with its principal place of business in Scottsdale, Arizona.

3 5. Michael B. and Betty Maksudian are husband and wife. All actions taken by
4 Michael Maksudian were on behalf of the marital community. Maksudian is the Chief Executive
5 Officer of WMR.

6 6. Michael A. and Lorrina Diaz are husband and wife. All actions taken by Michael
7 Diaz were on behalf of the marital community. Diaz is the president of WMR.

8 7. The ACC brings this action pursuant to A.R.S. §§ 44-2031 and 44-2032. Venue is
9 proper in this County pursuant to A.R.S. §§ 44-2031(B) and 44-2032(4).

10 8. Defendants have engaged in acts, practices and transactions, which constitute
11 violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act"). Since at
12 least 2001, Defendants have used One Vision's charitable status to fleece elderly investors.
13 Through a nationwide network of commissioned sales agents, Defendants sold investment
14 contracts or evidence of indebtedness denominated as charitable gift annuities ("CGAs") to elderly
15 investors who sought safe, steady income, tax benefits, and charitable donations. These CGAs are
16 defined by A.R.S. § 44-1801(26) as securities as they are investment contracts or evidence of
17 indebtedness.
18

19 9. On or about February 28, 2001, One Vision and WMR entered into a contract for
20 WMR to solicit and market CGAs for One Vision. A CGA is an investment that is to pay the
21 investor a guaranteed rate of return, with the remaining principal paid to a designated charity at the
22 investor's death. In the sales literature used to promote their fraudulent scheme, Defendants touted
23 the safety, security and tax benefits of the CGAs as well as the charitable aspects of the investment.
24

25 10. One Vision was formed on or about January 10, 2000. At that time it was named
26 the Hollister Foundation. It changed its name to One Vision on July 25, 2001. At the time One

1 Vision and WMR entered into the contract, One Vision had minimal assets of less than \$100.

2 During its entire existence, One Vision never created a balance sheet or financial statement, much
3 less an audited balance sheet or financial statement.

4 11. From August 2001 through July 2002, Defendants sold at least 18 CGAs to at least
5 15 people for a total of at least \$4,357,000. WMR received commissions of at least \$1,300,000
6 from the sale of the CGAs. Of that amount, at least \$479,000, was then paid to the other sales
7 agents involved in the sales process. Thus, total commissions for the sale of the CGAs were 30.2%
8 of the amount invested. Many of the CGAs had commissions greater than 30%, including one
9 CGA where the total commissions were 52% of the amount invested. These commissions were not
10 disclosed to investors.

11
12 12. All CGAs applications were prepared on WMR forms. All CGA agreements,
13 schedules, proposals and One Vision Board of Director Resolutions were prepared on WMR forms
14 by WMR at the direction of Maksudian or Diaz. All sales agents for the CGAs were recruited by
15 WMR. WMR put on sales presentations in which it sought to recruit agents to sell CGAs. The
16 sales presentation was conducted by Maksudian or Diaz. WMR also conducted training seminars
17 on CGAs in which WMR instructed sales agents in methods to help them in selling CGAs. The
18 training seminars were conducted by Maksudian or Diaz. WMR conducted all sales and marketing
19 activities for One Vision with respect to the sale of CGAs. Any inquiries by agents or investors
20 made to One Vision regarding CGAs were directed to WMR.

21
22 13. Although contracts varied somewhat, investors made an irrevocable gift of cash,
23 securities or other assets to One Vision, which in turn promised to periodically pay the investor a
24 fixed sum that incorporated a guaranteed rate of return. The guaranteed rate of return varied
25 depending on the investor's age and the date the payments commenced, similar to an annuity. At
26 the investor's death, One Vision agreed to pay the remainder of the gift to charities designated by

1 the investor. The existence and amount of the remainder depended upon the investment skill of
2 One Vision in managing its CGA assets.

3 14. Defendants' information and sales' materials and at least one of the CGA
4 agreements stated that payments under the agreement were general obligations of the company.
5 No investor ever received a financial statement or balance sheet listing One Vision's assets and
6 liabilities or was informed that no such financial statement or balance sheet existed. If they had,
7 they would have learned that One Vision's assets overwhelmingly were the funds it raised from
8 investors from sale of the CGAs and that prior to the beginning of sale of the CGAs, One Vision
9 had minimal assets. Investors were not informed that One Vision had been in existence only since
10 January 2000.

11 15. To fund their CGAs, investors transferred cash and/or securities to a brokerage
12 account in the name of One Vision, where the funds were commingled in a common account.
13 Transfers were arranged by WMR.

14 16. On occasion, Defendants falsely claimed that the assets received for gift annuities
15 were managed by Merrill Lynch. Defendants also emphasized the safety, steady income and tax
16 benefits of the CGAs. Investors were told that the funds to pay the CGA payments would be
17 secured in a segregated and restricted account. That information was false. Rather, funds were
18 transferred out of the account to pay commissions and expenses of Defendants. Currently of the
19 approximately \$4,357,000 invested by investors, approximately \$400,000 remains in the
20 "segregated" account. Other investors were falsely told that the funds would be placed in
21 insurance contracts, designed to fund the CGA payments.

22 17. All actions taken by WMR were done at the direction and through the control of
23 Maksudian and Diaz.

1 18. Pursuant to A.R.S. § 20-119, if a charitable organization enters into an agreement
2 for a qualified charitable gift annuity, the charitable organization must provide a written notice to
3 the donor in the annuity agreement that states that the charitable gift annuity is not insurance under
4 the laws of Arizona, is not subject to regulation by the Arizona Department of Insurance and is not
5 protected by any state guaranty fund. In violation of that statute, no CGA issued by Defendants
6 contained that notification and no investor received that information.

7 19. At least one of the One Vision CGAs was issued to a Florida investor. Florida
8 requires that a charity that issues CGAs must be in continuous operation for five years, have
9 sufficient reserves and must provide a written disclosure in the CGA. The Florida law was not
10 followed and the information was not disclosed to the Florida investor.

11 20. At least three of the CGAs were issued to investors located in Illinois. Illinois law
12 requires that in order to issue CGAs in that State, a charity must be in continuous operation for 20
13 years and have an unrestricted fund balance of at least \$2,000,000 or all CGAs must be reinsured
14 with a commercial insurer. Despite not meeting Illinois law, Defendants issued the CGAs in
15 violation of that law. This information was not disclosed to the Illinois investors.

16 21. At least one of the CGAs was issued to a Minnesota investor. Minnesota law
17 requires that in order to issue CGAs in that State, a charity must be in continuous operation for at
18 least three years and have an unrestricted fund balance of at least \$300,000. Despite not meeting
19 Minnesota law, Defendants issued the CGAs in violation of that law. This information was not
20 disclosed to the Minnesota investor.

21 22. At least one of the CGAs was issued to a California investor. California law
22 requires that a charity be in continuous operation for at least ten years prior to issuing a CGA, must
23 segregate all reserves for CGAs, cannot withdraw such reserves without the consent of the
24 California Department of Insurance, cannot sell CGAs in California without a permit and must
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1 make specific disclosures to the investor. Despite not meeting California law, Defendants issued
2 the CGA in violation of that law. This information was not disclosed to the California investor.

3 23. At least one of the CGAs was issued to a Wisconsin investor. Wisconsin law
4 requires that a charity be in continuous operation for at least ten years prior to issuing a CGA, must
5 have a reserve and must first have a permit issued by the Wisconsin Department of Insurance.
6 Despite not meeting Wisconsin law, Defendants issued the CGA in violation of that law. This
7 information was not disclosed to the Wisconsin investor.

8 24. At least one of the CGAs was issued to a Georgia investor. Georgia law requires
9 that charities must qualify for exemption from regulation as an insurance company by having been
10 in continuous operation for at least 3 years and having at least \$300,000 in unrestricted cash, cash
11 equivalents or publicly traded securities, not counting the annuity gift. The charity is required to
12 notify donor in writing, in the agreement in a separate paragraph, using print no smaller than that
13 generally used in rest of agreement, that the gift annuity is a qualified charitable gift annuity, is not
14 insurance is not subject to regulation by the Insurance Commissioner or protected by an insurance
15 guaranty association. Despite not meeting Georgia law, Defendants issued the CGA in violation of
16 that law. This information was not disclosed to the Georgia investor.

17 25. From the investor funds obtained from the sale of the CGAs, One Vision
18 subsequently invested over \$1,000,000 in Majesty Travel/Yucatan Resorts ("Majesty"). This
19 investment was recommended and sold to One Vision by WMR, Maksudian and Diaz. WMR,
20 Maksudian and Diaz received at least a ten percent commission from the sale of this investment.
21 Majesty allegedly uses investor funds to own and operate a time-share business in Yucatan,
22 Mexico. It was represented to One Vision that it would receive 11% per annum from its
23 investment. Several states, including New Mexico, Wisconsin and South Carolina, have issued
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1 cease and desist orders against Majesty, barring it from selling its securities in that state due to
2 violations of their securities laws. This information was not disclosed to investors.

3 26. In addition to Majesty, One Vision also invested over \$1,175,000 in registered
4 limited liability partnerships organized and operated by Merchant Capital Partners, L.L.C. ("the
5 Merchant Capital Investment"). This investment was recommended and sold to One Vision by
6 WMR, Maksudian and Diaz. WMR, Maksudian and Diaz received at least a ten percent
7 commission from the sale of this investment.

8 27. The Merchant Capital Investment partnerships allegedly purchased unsecured bad
9 debt at a discount and seeks to collect on it. The disclosure document for the investment states that
10 there are significant risks involved in buying and subsequent collection of charged-off debt. The
11 risks include the risk of losing the entire investment, the risk that collection rate of recovery will be
12 low or nonexistent, the danger of an economic downturn and the fact that Merchant Capital has a
13 limited operating history with no assurance that it will be successful in the purchase and sale of
14 distressed debt. In sum, the investment, as stated in the disclosure statement, "must . . . be
15 considered speculative."
16

17 28. No investor was informed that their funds to pay their CGA would be invested in
18 speculative investments such as Majesty or the Merchant Capital Investment with the potential for
19 complete loss of the investments.
20

21 29. Upon information and belief, WMR, Diaz and Maksudian are currently utilizing
22 their national sales network to continue to raise funds from elderly investors by selling CGAs.

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COUNT ONE

**VIOLATION OF A.R.S. § 44-1991
(Fraud in Connection with the Offer or Sale of Securities)**

30. The ACC incorporates by reference all allegations set forth in paragraphs 1 through 29 of the Complaint.

31. In connection with the offer or sale of securities within or from Arizona, Defendants directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts which were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; and (iii) engaged in transactions, practices or courses of business which operated or would operate as a fraud or deceit upon offerees and investors. Defendants' conduct includes, but is not limited to, the following:

a) Failing to disclose to investors that One Vision had only been in existence since January 2000;

b) Failing to disclose to investors any information to investors regarding One Vision's financial condition despite the fact that all CGA obligations were general unsecured obligations of One Vision;

c) Failing to disclose to investors that prior to One Vision selling CGA's it had less than \$100.00 in assets;

d) Failing to disclose to investors that One Vision's sole significant source of cash was through the sale of CGAs;

e) Failing to disclose to investors that commissions of 30% and greater were being paid for the sale of the CGAs;

1 f) Failing to disclose to investors that the laws of the states which regulate the sale of
2 CGAs were not complied with;

3 g) Failing to disclose to investors that the funds use to pay the payments of the CGAs
4 were invested in inherently risky and speculative investments such as Merchant Capital and Yucatan;

5 h) Falsely informing some investors that the funds to pay the CGA payments would be
6 held in a secured and segregated account; and

7 i) Falsely informing some investors that the funds would be placed in insurance
8 contracts, designed to fund the CGA payments.

9 32. This conduct violates A.R.S. § 44-1991.

10 COUNT TWO

11 (Appointment of Receiver)

12 33. The ACC incorporates by reference all allegations set forth in paragraphs 1 through
13 32 of the Complaint.

14 34. Pursuant to A.R.S. §§ 44-2032(4) and 44-2011 *et seq.*, the ACC requests this Court
15 appoint a Receiver on an interim basis to take control of the assets of One Vision and WMR to
16 marshal and preserve its assets for the benefit of their defrauded investors.

17 COUNT THREE

18 (Injunctive Relief)

19 35. The ACC incorporates by reference all allegations set forth in paragraphs 1 through
20 34 of the Complaint.

21 36. Upon information and belief, Defendants are currently in the process of selling
22 CGAs. Unless Defendants are enjoined and restrained from issuing additional CGAs, further
23 violations of the Securities Act will occur and additional investors will be defrauded.

24 37. Pursuant to A.R.S. §§ 44-2032(2), the ACC requests this Court enter a temporary
25 restraining order restraining Defendants from offering or selling CGAs in or from the state of
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1 Arizona; and after hearing on the order to show cause on the temporary restraining order, to issue
2 a preliminary injunction continuing the temporary restraining order until completion of this action.

3 WHEREFORE, the ACC prays for judgment as follows:

4 1. Enter a Temporary Restraining Order restraining the Defendants from continuing
5 violations of Section 1991 of the Securities Act;

6 2. Enter a Preliminary Injunction against the Defendants enjoining them from further
7 violations of Section 1991 of the Securities Act;

8 3. Order Defendants to be permanently enjoined from violating the Securities Act,
9 pursuant to A.R.S. § 44-2032;

10 4. Appoint a Receiver on an interim basis to take control of the assets of One Vision
11 to marshal and preserve their assets for the benefit of Defendants' defrauded investors.


12 5. Order Defendants to take affirmative action to correct the conditions resulting from
13 their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S.
14 § 44-2032;

15 6. Order Defendants to pay the state of Arizona administrative penalties of up to five
16 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

17 7. Order any other relief that the Court deems appropriate.

18 Dated this 20th day of October, 2002

19 ARIZONA CORPORATION COMMISSION

20 By 
21 Mark Dinell
22 Attorney for the Arizona Corporation
23 Commission
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VERIFICATION

Mark Sendrow, being first duly sworn, does depose and say:

1. I am the Director of Securities. I make this Verification based upon behalf of the Securities Division of the Arizona Corporation Commission

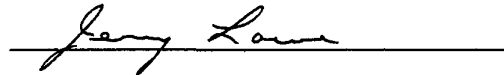
2. I have read the Complaint and to the best of my knowledge, and based upon the records and information gathered by the Securities Division, believe the allegations contained therein to be true and correct.

FURTHER AFFIANT SAITH NOT



Mark Sendrow
Director of Securities

SUBSCRIBED AND SWORN to before me on this 26th day of October, 2002.



My Commission Expires



Notary Public State of Arizona
Maricopa County
Jerry E Lowe
Expires September 24, 2005